Open consultation on draft proposal for SDG Target 17.3

Introduction

In April 2020 the United Nations Inter-Agency and Expert Group on Sustainable Development Goal Indicators (IAEG-SDGs) established a Working Group on Measurement of Development Support to develop a proposal for measuring progress against Target 17.3 of the 2030 Agenda, "Mobilize additional financial resources for developing countries from multiple sources" (Footnote 1).

The Group has accordingly elaborated a draft proposal, on which it now seeks feedback from all interested stakeholders through this Google form.

The deadline for responses is 20 August 2021 and the Working Group will consider the results of this consultation at its 14th meeting on 14-16 September 2021. The Group intends to submit a final proposal to the IAEG-SDGs in October, which the IAEG-SDGs could then propose to the Statistical Commission for adoption at its 53rd session on 1-4 March 2022. The final proposal will be updated as needed to reflect the outcome of work of the Sub-group on South-South cooperation and members have expressed the importance of this component within the proposal. A separate consultation on South-South cooperation will be conducted by the Sub-group.

The current proposal consists of three parts:
- Part 1 describes the sustainable development criteria which serve as a benchmark for identifying eligible flows.
- Part 2 describes the specific financing flows which the Working Group proposes to cover through dedicated sub-indicators.
- Part 3 is a series of Notes giving further details of what the indicators include and exclude.

The questionnaire allows you to make comments on any of the items and also includes a final section for general comments.

PLEASE NOTE: Brief explanations on all parts of the proposal are provided in a separate section at the end. These are also provided separately as a file attachment for easy reference (also shortly available at https://unstats.un.org/sdgs/iaeg-sdgs/ - see end of page for a link to this consultation). We encourage you to consult these brief explanations as you answer each question since they provide important additional information on the reasoning behind the proposals, and on alternatives that were considered.

The Working Group will make recommendations on possible further work as it deems necessary and reflecting the outcome of this consultation. This will include addressing international public goods (IPGs). However, this consultation is limited to the draft indicator proposal.

In developing the draft proposal the Working Group was mindful of data availability issues

In developing the draft proposal the Working Group was mindful of data availability issues (including confidentiality and varying levels of detail in existing reporting), avoiding to establish any additional reporting burden on recipient countries. It is also expected that existing OECD and UNCTAD databases will serve as data sources. At the OECD, this includes data collected through TOSSD reporting as well as traditional OECD-DAC-CRS reporting, assuming that data compilation and reporting will be adjusted to meet the requirements of this proposal (Footnote 2). Pilot exercises are planned and are being initiated.

Footnote 1: See the terms of reference available at https://unstats.un.org/sdgs/files/TOR%20MDS%20WG%20(April%202020).pdf. The following countries joined the Working Group as observers: Brazil; Germany; Korea, Republic of; Netherlands.

Footnote 2: TOSSD=Total Official Support for Sustainable Development. DAC-CRS=Development Assistance Committee Creditor Reporting System.

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* Required

1. Email *

Respondent information

2. Please provide your name *

3. Please provide the name of your organization *

4. Please provide the name of your country as applicable *

5. Please indicate the type of organization *

Mark only one oval.

- National Statistical Institute
- Other National Government Entity
- International or Regional Organization
- Non-Governmental Organization
- Major Group
- Academia
- Private Sector
- Local or regional government
- Other: ______________________

Part 1: Sustainable development criteria (Question 1)

Based on the Group's discussions, and building on the work of the TOSSD Task Force, the following cascading approach is suggested to identify flows that can be considered as supporting sustainable development:

1. Flows within the proposed indicators and sub-indicators detailed below (in Part 2) and identified individually, such as a specific activity in provider reporting systems, should be included if they directly support either (i) at least one of the SDG targets or (ii) an objective in the recipient country's development plan as long as this is directed towards supporting or achieving sustainable development, with the following exceptions:
a. Flows for activities where a substantial detrimental effect is anticipated on one or more of the other targets;
b. Flows where the recipient country, after discussion with the custodian agency and/or the reporting provider country, objects to their characterization as supporting its sustainable development in line with the present criteria.

2. Flows, or portions of flows within the proposed indicators and sub-indicators detailed below (in Part 2) for which data are only available at the aggregate country-to-country level are also considered as supporting sustainable development, subject to the same exceptions as under 1.a and 1.b.

Note that some sub-indicators may contain a mixture of activity-specific and aggregate-level flow data and therefore require assessment against 1 and 2 respectively. Activity-specific reporting, where feasible, can be helpful to allow a more direct application of the criteria. Also note that further specific exclusions are proposed, as detailed below (in Part 3), to reinforce the focus of the proposed indicators on the sustainable development of developing countries.

6. Q1: Do you agree with the proposed way of operationalizing the concept of sustainable development?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

7. Please explain if you responded "no" or have concerns or suggest improvements:

Part 2: Proposed indicators (Question 2)

The proposed indicator 17.3.1 consists of six proposed sub-indicators. For each sub-indicator, annual totals will be reportable for the gross receipts of each developing country following the recipient perspective (please see Note 1 below for an explanation of the recipient perspective). While the sub-indicators follow the recipient perspective, the data for all proposed sub-indicators except foreign direct investment are reportable by the providers.

The first sub-indicator the Working Group proposes is

17.3.1 a. Official sustainable development grants

8. Q2: Do you agree with including official sustainable development grants?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

9. Please explain if you responded "no" to question 2 or have concerns or suggest improvements:

Part 2: Proposed indicators (Question 3)

The second sub-indicator the Working Group proposes is

17.3.1 b. Official concessional sustainable development loans

Concessional: Official loans with at least a 35% grant element, calculated using a 5% discount rate (see the brief explanations on this item in the last section for the origin and nature of this test).

10. Q3: Do you agree with including official concessional sustainable development loans?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

11. Please explain if you responded "no" to question 3 or have concerns or suggest improvements:

Part 2: Proposed indicators (Question 4)

The third sub-indicator the Working Group proposes is

17.3.1 c. Official non-concessional sustainable development loans

Non-concessional: Official loans with less than a 35% grant element, calculated using a 5% discount rate.

12. Q4: Do you agree with including official non-concessional sustainable development loans?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

13. Please explain if you responded "no" to question 4 or have concerns or suggest improvements:

Part 2: Proposed indicators (Question 5)

The fourth sub-indicator the Working Group proposes is

17.3.1 d. Foreign direct investment

FDI is a critical source of private finance and part of the current indicator 17.3.1. There are concerns whether all of FDI meets the sustainability criteria; however, FDI is reported by the recipient country itself, giving it the ability to address such concerns with the national reporting entity. FDI will be measured as each developing country’s inflows (inward FDI).

14. Q5: Do you agree with including FDI?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

15. Please explain if you responded "no" to question 5 or have concerns or suggest improvements:

Part 2: Proposed indicators (Question 6)

The fifth sub-indicator the Working Group proposes is

17.3.1 e. Mobilised private finance (MPF) as a memorandum item, consisting of private flows mobilized by certain official instruments. These official instruments may include:
(a) free, subsidised or unsubsidised guarantees on loans and investments to developing countries;
(b) lines of credit;
(c) first-loss shares;
(d) co-financing;
(e) shares in collective investment vehicles;
(f) mezzanine finance; and
(g) technical assistance and capacity-building.

MPF captures a portion of private flows mobilized by development partners that are of increasing importance. However, there are concerns and questions regarding its boundaries, the ability of recipient countries to verify whether the flow meets the sustainability criteria and the fact that the available data relate to private sector commitments instead of developing countries' actual receipts of disbursements. It has also been requested to exclude flows mobilized in the recipient country itself. Pilot studies may shed more light on this issue. There is support for inclusion of MPF but not all countries agree. The suggested inclusion as a memorandum item indicates that in some recipient countries there may be overlap with FDI inflows, in addition to the other data challenges mentioned.

16. Q6.a: Do you agree with including MPF as a memorandum item, even if the remaining concerns cannot be sufficiently addressed by the Working Group in the short term?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

17. Please explain if you responded "no" to question 6.a or have concerns or suggest improvements:

18. Q6.b: If you think that remaining concerns are too fundamental to include MPF as a memorandum item, do you agree to propose this indicator as part of the 2025 global review?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

19. Please explain if you responded "no" to question 6.b or have concerns or suggest improvements:

Part 2: Proposed indicators (Question 7)

The sixth sub-indicator the Working Group proposes is

17.3.1 f. Private grants

The concept is clear, the flow is fully concessional, and there is substantial support in principle for including a sub-indicator on these flows. However, existing reporting is patchy and lacking in detail, especially as regards allocation to beneficiary countries. Again, pilot studies may shed light on whether data availability issues can be sufficiently addressed over time.

20. Q7.a: Do you agree with including private grants if data availability issues can be sufficiently addressed in the view of the Working Group?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

21. Please explain if you responded "no" to question 7.a or have concerns or suggest improvements:

22. Q7.b: If data availability issues cannot be sufficiently addressed, do you agree to propose this indicator as part of the 2025 global review?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

23. Please explain if you responded "no" to question 7.b or have concerns or suggest improvements:

Part 3: Notes giving further details of what the indicators include and exclude (Question 8)	Note 1: The Working Group strongly supported separate indicators for different flow types, and following the recipient perspective. While the sub-indicators follow the recipient perspective, the data for all proposed sub-indicators except foreign direct investment are reportable by the providers. While ideally several members would prefer to also include a provider perspective on the flows (i.e., to show the outflows of each provider), it was recognized that this would double the number of indicators, and that important aggregates of provider performance are already captured under other indicators (e.g. 10.b.1 and 17.2.1).

24. Q8.a: Do you agree with having separate indicators for different types of flows?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

25. Please explain if you responded "no" or have concerns or suggest improvements:

26. Q8.b: Do you agree that the sub-indicators should be shown by recipient?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

27. Please explain if you responded "no" or have concerns or suggest improvements:

Part 3: Further details of what the indicators include and exclude: (Question 9)

Note 2: While measuring gross flows received strong support, some members suggested also including net measurement of sub-indicators b) and c) on loans. However, there was no clear preference in favour of either of two alternative ways of deriving net figures from gross figures: i.e.
(i) deducting only repayments of principal, or
(ii) deducting both repayments of principal and payments of interest.

It was also recognised that resulting net data would mathematically tend in the long run either towards zero (if only principal repayments were deducted from the gross flow) or towards negative numbers (if both principal and interest payments were deducted) – so that the informational value of net figures for individual years may be very limited. It was also noted that recipients' total debt service is already covered by indicator 17.4.1.

A further consideration is that aggregates of provider performance (10.b.1 and 17.2.1) are already captured net.

28. Q9: Do you agree with including gross flows only?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

29. Please explain if you responded "no" or have concerns or suggest improvements:

Part 3: Further details of what the indicators include and exclude: (Question 10)

Note 3: Exclusions within the proposed indicators: Debt relief, in-donor refugee costs, administrative costs not allocated to specific development activities, and peace and security expenditures other than those meeting the criteria defined for official development assistance (ODA) are excluded.

Reasons for these exclusions are given in the brief explanations below.

30. Q10: Do you agree with the exclusion of debt relief, in-donor refugee costs, administrative costs not allocated to specific development activities, and non-ODA peace and security expenditures from within the proposed sub-indicators?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

31. Please explain if you responded "no" or have concerns or suggest improvements:

Part 3: Further details of what the indicators include and exclude: (Question 11)

Note 4: Excluded flows:
- Private non-concessional loans
- Portfolio investment
- Export credits, whether official, officially-supported, or private
- Short-term flows with an original maturity of 1 year or less
- Any other flows that are not within the scope of the proposed sub-indicators.

Reasons for excluding these flows from the proposal are given in the brief explanations below.

Some Working Group members proposed at a late stage of the discussions to include an additional sub-indicator 17.3.g “Other official instruments” or “Other official resources in support of sustainable development” to capture official support other than grants and loans. Potential items mentioned included the same official instruments as mentioned under MPF. However, these do not necessarily constitute a resource flow to a recipient country, such as investment guarantees or lines of credit. Furthermore, the potential amounts to be reported under this sub-indicator are small (2-3 percent of grants and loans).

32. Q11: Do you agree with excluding the flows mentioned in Note 4?

Mark only one oval.

- Yes
- No (please explain)
- Have concerns/Suggest improvements (please explain)

33. Please explain if you responded "no" or have concerns or suggest improvements:

Question 12: Do you have any other comments or suggestions?

34. Q12: Do you have any other comments or suggestions?

Mark only one oval.

- No
- Yes (please explain)

35. Please explain if you responded "yes":

Part 1: Sustainable development criteria

The Group generally believed that indicators for Target 17.3 should focus on flows likely to contribute to the sustainable development of developing countries. The criteria proposed are based on the sustainable development criteria first discussed by the Total Official Support for Sustainable Development (TOSSD) Task Force. The Working Group reviewed and further developed those criteria to allow for the fact that data on FDI and other private flows are not generally available at activity level, and that providers may not always explicitly link their activities to an SDG target or goal (in fact, it was observed that as of July 2021, the TOSSD Data Visualization Tool (https://tossd.online/about) showed that 55% of TOSSD Pillar I activities reported for 2019 had no SDG goal or target specified).

Activity-specific reporting (e.g. a grant for building a school) is helpful to allow a more direct application of the criteria. However, there are different ways to validate data and statistical reporting need not be made dependent on detailed activity-level information.

Part 2: Proposed indicators

The proposed indicator 17.3.1 consists of six proposed sub-indicators, the coverage of each of which is described below. For each sub-indicator, annual totals will be reportable for the gross receipts of each developing country. While the sub-indicators follow the recipient perspective, the data for all proposed sub-indicators except foreign direct investment are reportable by the providers. Gross means the amount disbursed, without any deduction for repayments of loan principal, payments of loan interest, or other return flows.

As already noted, the proposed sub-indicators make use of existing data sources and do not imply any additional reporting burden for recipient countries.

17.3.1.a Official sustainable development grants

Grants are transfers in cash or in kind for which no legal debt is incurred by the recipient.

17.3.1.b Official concessional sustainable development loans

Loans are transfers in cash or in kind for which the recipient incurs legal debt. A concessional transfer is one which gives something of value away. It is proposed to regard as concessional a loan which embodies at least a 35% grant element when its service payments are discounted at 5% p.a. This test is derived from the World Bank-IMF Debt Sustainability Framework for Low Income Counties and has also been adopted by the TOSSD Task Force.

17.3.1.c Official concessional sustainable development loans

These are loans (see above) which bear a grant element of less than 35% when their service payments are discounted at 5% p.a.

17.3.1.d Foreign direct investment

Foreign direct investment (FDI) is a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the enterprise. The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is taken as evidence of such a relationship.

17.3.1.e Mobilized private finance

Mobilized private finance (MPF) consists of private resource flows for activities in developing countries which have been encouraged and supported by interventions of multilateral development banks (MDBs), bilateral development finance institutions, or other bilateral agencies. The World Bank explains the MDB method for counting MPF (see link in the word version of these explanations), and the OECD provides extensive documentation on its approach (see link in the word version of these explanations). Among those Working Group members that favored including a sub-indicator on MPF, there was a preference for the OECD method. If a sub-indicator is included on MPF, it will have "memorandum item" status because it would likely include and overlap with some finance that would also be found in the FDI sub-indicator. MPF data are typically collected on a commitment basis, rather than in terms of developing country receipts.

As noted in the proposal, the measurement of Mobilized Private Finance (MPF) presents significant data availability issues, as well as some conceptual issues. Pilot testing may resolve some of these issues, but if they cannot be sufficiently resolved it may be suggested to consider this sub-indicator as part of the 2025 global review of the SDG indicators. One can also decide to include MPF as a memorandum item from 2022 even if there might be challenges solving the data problems in the short run, see the proposal.

17.3.f Private grants

Private grants are here taken to mean grants from private institutions for developmental purposes – excluding commercial flows and personal transactions such as remittances. They essentially comprise grants from philanthropic foundations and other non-governmental organizations. The recorded flow was nearly $50 billion in 2019, but the data are incomplete, with some significant countries not reporting. At present, there is only a recipient breakdown for flows from large foundations, which reported total disbursements for development purposes of about $9 billion in 2019.

As noted in the proposal, the measurement of private grants presents significant data availability issues. Pilot testing may resolve these issues, but if they cannot be sufficiently resolved it may be suggested to consider this sub-indicator as part of the 2025 global review of the SDG indicators.

Brief explanations

Part 3: Further details of what the indicators include and exclude

Note 1: The main reason that the Working Group supported separate indicators for different types of flows was to reflect the different natures and concessionality levels of the flows. Presenting each financing flow individually, and not adding them up, following the approach adopted in the Addis Ababa Action Agenda on financing for sustainable development.

Note 2: The emphasis on gross flows reflects the focus of the Target on "additional financial resources for developing countries". The gross flow is the amount available to finance new sustainable development activities.

Note 3: Exclusions within the indicators:

(a) Debt relief. The Group recognized the importance of providing debt relief but identified numerous reasons for not including it in indicator 17.3.1. Among these were that debt relief is not a new flow of resources; there was also a lack of clarity on how it should be accounted for; it does not fit easily with a gross approach to reporting loans which records the full value of the original loan and disregards all repayment obligations; it is already covered in donor figures under other indicators; and that if a debt relief indicator is required it might more appropriately be added under Target 17.4 which deals specifically with debt management issues.

(b) In-donor refugees. The costs of maintaining refugees in donor countries for the first 12 months of their stay are reportable as official development assistance (ODA). However, the Group recognized that these costs, while serving global humanitarian purposes, do not represent new resources for sustainable development activities in developing countries.

(c) Administrative costs. The general administrative costs of aid agencies are necessary expenditures in delivering assistance, but they do not constitute resources specifically allocated to or available to individual developing countries.

(d) Peace and security expenditures. The Group recognized that peace and security are necessary pre-requisites for development, but also recognized the focus of the Target on resources for developing countries. Limiting the coverage to those expenditures reportable as official development assistance (ODA) ensures that the indicator only includes peace- and security-related flows that have “the economic development and welfare of developing countries as their main objective”. In particular, this will exclude flows designed to promote the provider’s security interests, activities involving the use or display of force, any training that contributes to the fighting capacity of the armed forces, and any use of donor or partner country military personnel to control civil disobedience. For more information on the ODA coverage of peace and security expenditures, see pages 36 to 43 here (https://one.oecd.org/document/DCD/DAC/STAT(2020)44/FINAL/en/pdf). The TOSSD Task Force suggested an expanded coverage of these expenditures (see pages 37-38 here https://www.tossd.org/docs/reporting-instructions.pdf), and presented data on additional activities captured by TOSSD. However, this information raised some concerns and questions within the Working Group, since it included activities in areas such as police liaison, defense cooperation, and anti-drug and anti-terrorism operations that may have been substantially designed to serve providers’ policing and security interests.

Note 4: Excluded flows:

(a) Private non-concessional loans. Data on these market-term loans are only available at aggregate level. While some individual flows would clearly contribute to sustainable development, at aggregate level it was considered that it would be difficult to presume sustainable development impacts.

(b) Portfolio investment. This is investment which does not meet the tests of FDI (see above). As with private non-concessional loans, data would only be available aggregate level and in the absence of activity-specific information it was considered that it would be difficult to presume sustainable development impacts.

(c) Export credits. These are trade-facilitating financial instruments which as a rule must be offered at commercial terms. Export credits finance developing countries’ imports. Some of these imports would have a positive impact on sustainable development, but export credit data are often subject to confidentiality restrictions which would render it difficult to elaborate a method for consistently and comprehensively identifying and recording these. The imports themselves, as trade flows, would not qualify under any of the proposed indicators.

(d) Short-term flows. An emphasis on sustainability suggests that it may be advisable to exclude short-term flows, and in any case no method was proposed that would consistently and comprehensively identify all short-term flows with a sustainable development impact.

(e) Other flows outside the scope of the proposed indicators. This exclusion is designed to ensure that the indicators remain coherent and consistent in measuring clearly identified types of financing across all providers and recipients.

As noted in the proposal, an alternative suggestion to (e) was to add a seventh sub-indicator to capture either all other instruments or only those official instruments that mobilized private finance (i.e. that supported the flows under sub-indicator 17.3.1.e). However, this would include instruments such as guarantees that are not considered additional resources for developing countries. For example, the value or cost of a guarantee does not increase the flow to the developing country from the loan or investment guaranteed.

Another issue with a “miscellaneous” item is that it would mix in a single aggregate flows (and potentially also non-flows) that had different natures, impacts, and concessionalities, which would seem to be contrary to the spirit of the Addis Ababa Action Agenda and the UN’s approach to tracking Financing for Development. Moreover, from a statistical point of view, miscellaneous items effectively create “open buckets” into which new flow and non-flow instruments could be progressively added, impairing the comparability of data over time. Another option would be to propose an additional indicator in the context of the 2025 comprehensive review.

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